



HF 615 – Narcotics Criminal Charges and Fees (LSB2265HZ)
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Fiscal Note Version – New

Description

[House File 615](#) creates a money transfer service fee of 1.0% collected from each transmission of money made by nonfinancial institutions. The Iowa Department of Revenue, in conjunction with the Superintendent of Banking, would administer and enforce the fee which would be deposited into a Financial Crime and Wire Transmitter Fund in the Office of the Treasurer of State. This Fund would be appropriated to the Department of Public Safety (DPS) for investigating indictable criminal offenses that are committed for financial gains. Interest and earnings would remain in the Fund, and the Fund would not revert at the end of each fiscal year.

This Bill also creates a money transfer service fee tax credit for use by individuals filing income tax returns to recover the amount of transfer service fee they had been charged during the year. In order to collect this credit, an individual would need to include on their tax return a valid taxpayer identification number, and if the individual is married, the valid taxpayer identification number of their spouse. Each fiscal year, the DPS would be required to transfer to the General Fund an amount to cover the money transfer service fee tax credits claimed in that fiscal year. This transferred amount would not be considered new revenues for purposes of the State General Fund expenditure limitation.

Additionally under this Bill, the clerk of the district court is directed to assess a \$5.00 drug paraphernalia surcharge on an adjudication of guilt or a deferred judgement for possessing drug paraphernalia in violation of Iowa Code section [124.414](#). These surcharges would also be deposited into the Financial Crime and Wire Transmitter Fund.

Background

Similar legislation was enacted in 2009 in Oklahoma and imposed a \$5.00 fee for all outgoing, person-to-person wire transfers under \$500 and a 1.0% fee on transfers over \$500. The amount collected in Oklahoma has steadily increased from \$5.7 million in FY 2010 to \$12.7 million in FY 2016. In the last five years, the average annual increase for collections of the wire transmitter fee was 8.7%. Less than 5.0% of the fees collected annually were claimed as an income tax credit in Oklahoma, and that credit was allowed to sunset after the 2016 tax year.

The Iowa Superintendent of Banking reported that in FY 2016, there were 25,322,799 money transfers occurring in Iowa totaling \$3.4 billion, with the average payment being \$135.00. In Iowa, there are 6,385 authorized locations for 105 license holders where these money transfers can be completed. These licensees would be required to register with the Iowa Department of Revenue under this Bill.

Assumptions

- There will be a 20.0 to 25.0% decrease in total wire transfers upon enactment of this Bill. This would result from some licensed money transfer service companies removing locations in Iowa, and individuals choosing to utilize other ways to transfer money.

- The value of wire transfers would grow at the rate of inflation. In FY 2018, it is estimated that there would be \$2.76 billion in wire transfers per year for which the 1.0% fee would be applicable under this Bill.
- Only 5.0% of the fees collected would be claimed on income tax returns.
- There are approximately 3,000 drug paraphernalia convictions annually subject to the \$5.00 surcharge.

Fiscal Impact

Currently, the total FY 2017 estimated net appropriation for the DPS is \$93.5 million. Of this, \$13.6 million is allocated for the Division of Criminal Investigation, and \$7.3 million is allocated for the Division of Narcotics Enforcement.

Table 1 below shows the estimated amount of revenue that would be generated and deposited into the Financial Crime and Wire Transmitter Fund. In addition, the drug paraphernalia surcharge would generate an estimated \$15,000 annually for deposit in the Fund.

Table 1 – Wire Transfer Fee Estimates

<u>Fiscal Year</u>	<u>Estimated Amount of Wire Transfers (in millions)</u>	<u>Estimated Wire Transfer Fee Revenue (in millions)</u>	<u>Estimated Claimed Income Tax Credit (in millions)</u>	<u>Net Revenue for Financial Crime and Wire Transmitter Fee (in millions)</u>
2018	\$2,764.2	\$27.6	\$1.4	\$26.3
2019	\$2,825.9	\$28.3	\$2.8	\$25.5
2020	\$2,895.8	\$29.0	\$2.9	\$26.1
2021	\$2,963.4	\$29.6	\$2.9	\$26.7
2022	\$3,022.5	\$30.2	\$3.0	\$27.2

Sources

Iowa Division of Banking

Iowa Department of Revenue

Oklahoma Tax Commission Annual Reports FY 2010 – FY 2016

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.